

13 September 2017

ASCALON UPDATE

- Retention Lease Applications withdrawn
- Activities to be undertaken under current exploration permits

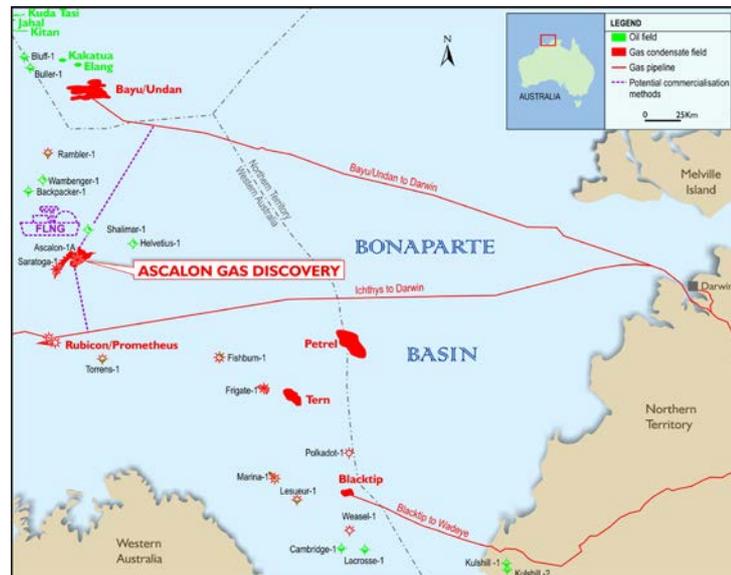
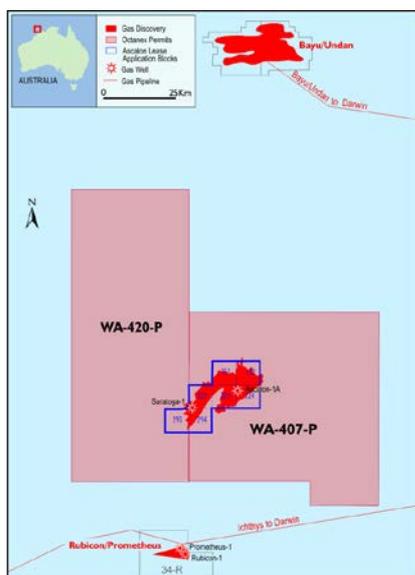
Octanex Limited (**ASX Code: OXX (Octanex)**) provides an update in relation to the Ascalon gas discovery contained within its 100% owned permits WA-407-P and WA-420-P.

As previously announced, Octanex has been advised that NOPTA considers that activities to address technical uncertainties at Ascalon should be undertaken as Exploration Permit activities rather than Retention Lease activities.

Octanex has accordingly withdrawn the Retention Lease Applications made in March 2016 and commenced independent studies designed to address resource estimates and well deliverability, key uncertainties identified in the NOPTA advice provided to Octanex in June 2017.

WA-420-P is in the sixth year of its first term (ending May 2018). WA-407-P is in its first term and has an exploration well in its year-6 work program, it is in its fifth year (also ending May 2018).

The independent studies referenced above will assist Octanex in determining additional activities. Octanex will then consider the appropriate tenure going forward, including Exploration Permit applications including suspension and extension, variation of work program, and/or permit renewal as well as Retention Lease application.



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Retention Lease Process

Applications for Retention Leases over the Ascalon gas accumulation were lodged in March 2016.

In March 2017 Octanex received advice from the National Offshore Petroleum Titles Administrator (NOPTA) that the Commonwealth-Western Australia' Offshore Petroleum Joint Authority (JA) was not prepared to grant Petroleum Retention Leases in respect to the Ascalon gas discovery on the basis that the JA "is of the view that ... the Ascalon Location is unlikely to become commercially viable within the next 15 years."

In April 2017 Octanex was notified that the JA had decided to treat as "null and void" their prior decision to refuse Octanex's applications for Petroleum Retention Leases in respect to the Ascalon gas discovery, due to process errors.

In June 2017 Octanex was provided with NOPTA's reasons for recommending that the JA refuse the Retention Lease application. These reasons related to uncertainty raised regarding resource estimates and well deliverability, with corresponding development cost uncertainty.

During a consultation process with the Commonwealth Delegate of the JA and NOPTA, Octanex was advised that NOPTA consider that activities to address uncertainties at Ascalon should be undertaken as Exploration Permit activities rather than Retention Lease matters. Octanex decided to initiate independent studies to review the identified uncertainties at the same time withdrawing the Retention Lease applications.

About Ascalon

The Ascalon gas accumulation was discovered in 1995 by Mobil, and is located mostly within exploration permit WA-407-P and extends into the adjacent WA- 420-P.

The gas is contained in a faulted horst structure within shallow marine sandstones of the Late Permian, Cape Hay Formation of the Hyland Bay Subgroup. Mapping on modern 3D seismic database, which we shot over the feature together with newly reprocessed 2D seismic, indicates a closure over an area of 260km² with a maximum closure height of 380m. The lowest closing contour appears coincident with lowest known gas defined from logs in the Ascalon-1A well. Modern petrophysics indicates a 146m gross gas column within the Cape Hay Formation in the Ascalon-1A well, which was located down dip off the crest of the structure. The reservoir sandstones within the Cape Hay Formation are tight, considered to be not unlike those in the nearby Petrel and Tern gas discoveries.

Ascalon is located in proximity to a number of gas discoveries some of which may be commercialised in coming years, including the Petrel and Tern discoveries. The development of nearby gas discoveries can be expected to provide opportunities for Ascalon to be developed to tie-back to another development. It is also located in close proximity to the Bayu-Undan pipeline to Darwin as well as the Icythys pipeline to the Inpex LNG facility under development in Darwin.

The Ascalon Location is outside the area of disputed sovereignty between East Timor and Australia.

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